

Greenberg Traurig

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RECEIVED

JUN 4 2007

ENVIRONMENTAL PROTECTION

May 31, 2007

Greg Lovato, P.E.
Supervisor, Remediation and Certification Branch
State of Nevada
Div. of Environmental Protection
Bureau of Corrective Actions
901 S. Stewart St., Ste. 4001
Carson City, NV 89701

Bill Frey
Senior Deputy Attorney General
State of Nevada
100 N. Carson St.
Carson City, NV 89701

Re: Our Client: DCI Management Group, Ltd.
Subject: April 26, 2007 Meeting, Information Request, Notification that NDEP may
Expend State Funds and Pursue Reimbursement of Costs
Former
Facility: Maryland Square Site, 3661 S. Maryland Parkway, Las Vegas, NV
H-000086

Gentlemen:

I am counsel for DCI Management Group, Ltd. ("DCI") with respect to the above-referenced former facility. I am responding, in part, to your letter of May 1, 2007, directed to Mr. Randall Jackson of DCI requesting certain information concerning DCI and the subject former facility.

During the course of investigating appropriate remediation methods for the subject site, DCI has discovered information regarding historic releases at the former dry cleaning facility, Dr. Clean, which was located at 1195 East Desert Inn Road. Enclosed with this letter as Attachment 1 are notes of my interview with Kenneth Webb, a former employee of Dr. Clean. Mr. Webb described a significant perchloroethylene ("PCE") release that occurred in 1992/1993. According to Mr. Webb's clear recollection, the PCE migrated onto Maryland Parkway and into the storm sewer system. In our judgment, the volume of the release was significant and once it entered the storm sewer it further migrated down gradient in a southerly direction down Maryland Parkway. It is our view that this PCE surface release at Dr. Clean

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ALBANY
AMSTERDAM
ATLANTA
BOCA RATON
BOSTON
CHICAGO
DALLAS
DENVER
FORT LAUDERDALE
LOS ANGELES
MIAMI
NEW JERSEY
NEW YORK
ORANGE COUNTY, CA
ORLANDO
PHILADELPHIA
PHOENIX
SILICON VALLEY
TALLAHASSEE
TYSONS CORNER
WASHINGTON, D.C.
WEST PALM BEACH
WILMINGTON
ZURICH

significantly contributed to any PCE located down gradient from the former Al Phillips the Cleaner site.

On January 30, 2004, Al Phillips The Cleaner, Inc. ("APTC") and DCI USA, Inc. entered into a Remediation Agreement ("Agreement") with the Herman Kishner Trust ("Kishner Trust"). The Agreement contains a confidentiality clause which prohibits me from providing it to you without the Kishner Trust's consent, which I am seeking to obtain. Without waiving the confidentiality covenant, DCI has committed to the Kishner Trust to conduct an investigation of the soil and groundwater contamination, and thereafter fund and implement corrective action to remediate the site. DCI has developed a plan to remediate the site, which plan is in the process of being finalized with the Nevada Department of Environmental Protection ("NDEP"). Randy Jackson of DCI is responsible for obtaining approval and implementation of the plan, and, of course, the cost of any remediation must fall within DCI's limited financial ability and its ongoing ability to meet all of its ongoing obligations.

Consistent with your request, enclosed are National Dry Cleaner, Inc.'s ("National") Consolidated Financial Statements for the years ending 2001, 2002, 2003, 2004, 2005 and 2006. The Financial Statements are only being provided to Bill Frey as outlined in Greg's email of May 23, 2007.

This information is provided to present you with an overview of the financial condition of National, as well as the ability of APTC (the former operator of the subject location and a subsidiary of National), to pay for and respond to any potential action by NDEP for an expanded cleanup of the site and down gradient soil and groundwater.

APTC is a Nevada corporation and the owner/operator of 30 dry cleaning locations in the greater Las Vegas area. APTC is a subsidiary of DCI USA, Inc. ("DCI"), a Nevada corporation that is a subsidiary of the parent, National. It is our view that the National cannot be held liable for the operations of any local subsidiary, such as APTC, however, we have provided the financial information of National, as each local subsidiary of National has guaranteed its debt. Such guaranty has a direct impact on APTC's ability to fund any clean up and as described below, that ability is limited. The following outlines National's current financial condition which has a direct impact on APTC's inability to fund any remediation costs other than what it has agreed to with the Kishner Trust.

Since 1999, National has been obligated to The Prudential Insurance Company of America ("Prudential") on secured loans for the funds provided to National to facilitate the growth and operation of National. Unfortunately, in early 2000, National began experiencing significant financial difficulties and was in default of its payment and other obligations under its loan covenants to Prudential. National reports the results of its operations on a consolidated basis and each local subsidiary (APTC being one of them) is a guarantor of the debt owed by

National to Prudential with such guaranty being secured by a blanket security interest in each subsidiary's assets. As a consequence, should an event of default occur, each local subsidiary would be liable to satisfy the Prudential debt. As of December 29, 2006, the Prudential debt aggregates \$29,677,000. National's total cash as of December 29, 2006, is \$1,472,000 and National has a negative tangible net worth of approximately \$30,000,000. The aggregate amount of Prudential debt is over seven times the market value of National's consolidated tangible assets. In summary, National's current indebtedness to Prudential aggregates approximately \$30,000,000, which debt is guaranteed and secured by each subsidiary. That debt is under collateralized and, in the event of default (by reason of National's failure to make principal and interest payments, financial covenant noncompliance or judgments), a resulting foreclosure would not come close to satisfying the Prudential debt. Foreclosure value of used dry cleaning and laundry equipment is nominal. National has minimal cash resources and mounting hurdles to overcome. National and APTC are in difficult financial condition and have ultimately little, if any, ability to pay any significant settlement or remediation costs with regard to the Maryland Square site other than as agreed with the Kishner Trust.

National and APTC are not in a financial position to engage in a protracted legal dispute and would favor prompt resolution of this matter. However, any such resolution must take into account a determination of the parties responsible for the environmental contamination being remediated and be structured in such a fashion to provide some assurance of National's and APTC's continued economic viability. National and APTC have accepted responsibility for the remediation of the Maryland Square site owned by the Kishner Trust and will undertake that remediation pursuant to the terms of the settlement agreement with the Kishner Trust. Acceptance of any additional financial responsibility must be conditioned upon a demonstration that APTC contributed in some significant way to the contamination and structured in amount and terms of payment to avoid foreclosure by Prudential which would result in National's and APTC's inability to contribute to any remediation.

I am available to discuss the foregoing with you at any convenient time.

Very truly yours,



William J. Goines

WJG:cs
Enclosures

cc: Randall L. Jackson
Kevin M. Lyng

Greenberg Traurig

Memorandum

TO: DCI Management Group File
FROM: William J. Goines
DATE: May 15, 2007
RE: DCI Management/General Corporate
#104395-010000

On April 24, 2007 I interviewed Kenneth Wayne Webb at Greenberg Traurig's offices in Las Vegas. I was accompanied in the interview by Steve Mailloux, Regional Manager for APTC. We met for approximately one hour.

Mr. Webb was employed by "Dr. Clean," a former Las Vegas dry cleaning facility for a period of 13 months spanning 1992 and 1993. He left Dr. Clean because of an off-site leg injury that prohibited him from continuing to work at Dr. Clean. His position at Dr. Clean was as a spotter and presser. He worked six days a week, Monday through Saturday, from 3:00 a.m. to 1:00 p.m.

Dr. Clean was located at 1195 East Desert Inn Road and its former location is shown on Attachment 1. Maryland Parkway is down gradient from the former location of Dr. Clean.

Mr. Webb described two perchloroethylene storage tanks that were in a storage area behind the back wall. I have created a diagram which was used in the interview with Mr. Webb (see Attachment 2) depicting the site and location of the tanks. At one point during Mr. Webb's employment at Dr. Clean, the owner of Dr. Clean at the time, Amy (Kenneth could not recall her last name), discovered that the valve of one of the storage tanks had been opened and called Kenneth to the site to help close the valve and clean up

To: DCI Management Group File
From: William J. Goines
Date: April 30, 2007
Re: Interview of Kenneth Webb

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the spill. Kenneth described the scene as "perc flowing out of the tank like a water faucet." He stated that it appeared from the flow and the amount of perchloroethylene streaming toward Maryland Parkway (and a dog shed between the tanks and Maryland Parkway) that it had been opened "a good while." He pulled the lever and stopped the flow of perchloroethylene. Kenneth described the spill as coming from one of the two steel storage tanks that stood six to seven tall. Based on our size estimates confirmed by Kenneth, they contained perhaps two to three hundred gallons of perchloroethylene. He stated on several occasions during our interview that this was the biggest perchloroethylene spill he had ever seen. He stated that Amy believed the valve on the tank had been opened by a former employee with whom she had a dispute. He stated that the tank was not empty at the time the valve was closed, however, a substantial amount of perchloroethylene had escaped.

Kenneth described the spill as running in an easterly direction off and through the concrete pad on which the tanks were placed, onto dirt and then onto asphalt towards the dog house and Maryland Parkway. He stated it looked like a "drain line" with trenches in the dirt. He and Amy grabbed rags and blankets to clean it up as the best they could. He said he had never seen anything like this before. Kenneth noted that approximately one week after the incident (after his leg injury), he was at Dr. Clean and saw some dirt dug up in the general area of the spill. He did not describe the location or depth of the hole.

Kenneth also stated that Dr. Clean normally used approximately 30 gallons of perchloroethylene a month.

Maryland Parkway

Parking Lot Asphalt

Liquor
Store

Soil

DC
Machine

Dr. Clean

Walkway

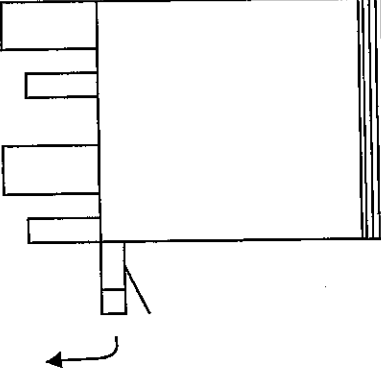
Solvent
Storage
Tanks

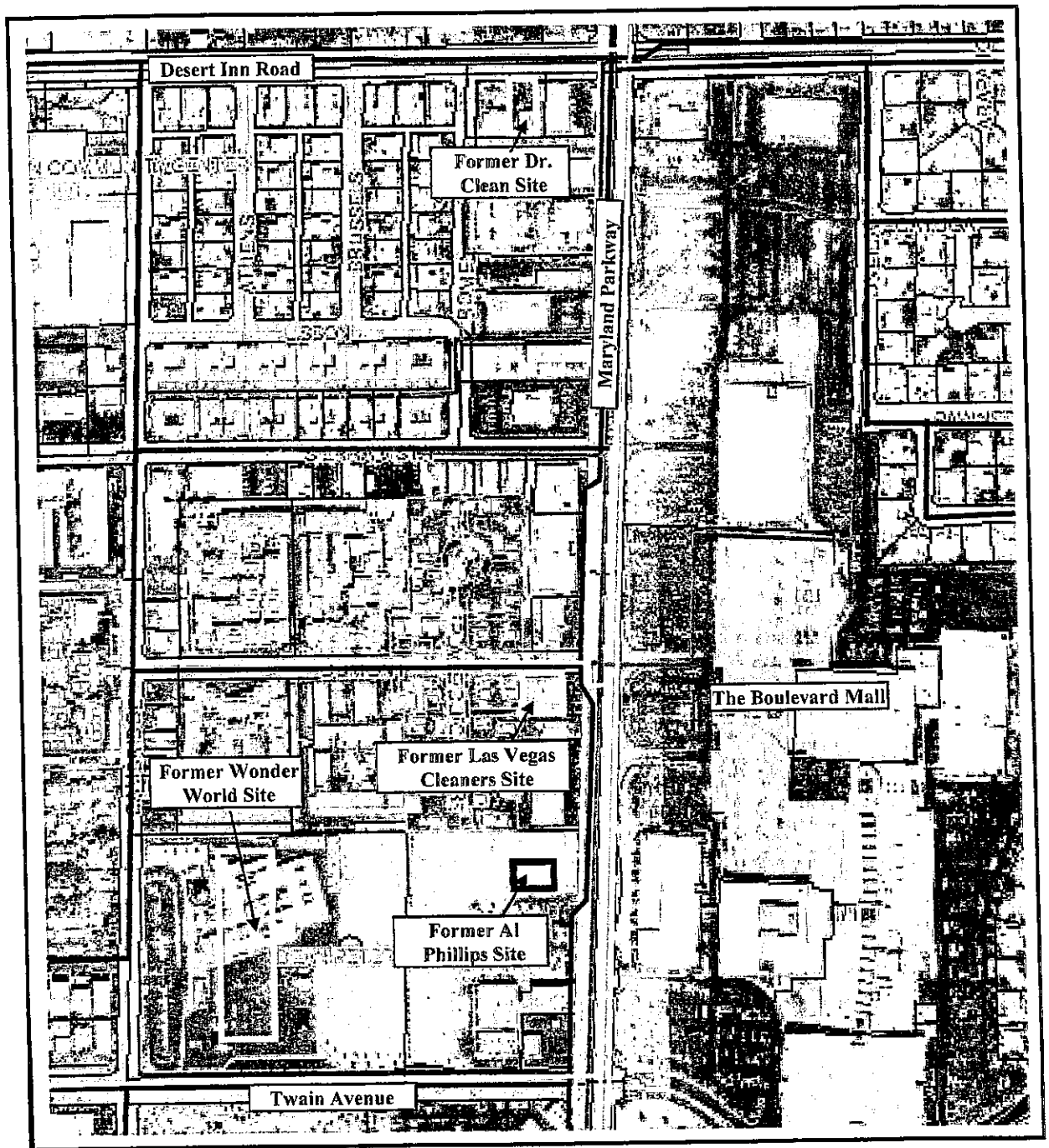
Concrete Pad

Distillation
and Filters

4 Tubes of
Filters

Desert Inn









Source: Clark County Assessors Web Site
 Scale: Not to scale



Legend:

-  Water
-  Sewer
-  Gas
-  Storm Drain

OFFSITE UTILITY LOCATION MAP

Al Phillips The Cleaner
 Maryland Square Shopping Center
 3661 South Maryland Parkway
 Las Vegas, Nevada

May 2007

Job No. 26698724

MS Utility Overview Fig 1.ppt

FIGURE 1